MICRO-FOUNDATIONS OF ALERTNESS TO ENTREPRENEURIAL OPPORTUNITIES (SUMMARY)

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SUMMARY

MICRO-FOUNDATIONS OF ALERTNESS TO ENTREPRENEURIAL OPPORTUNITIES

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Principal Topic

Understanding processes of economic progress and development has been central to economic theorizing since Adam Smith’s “The Wealth of Nations”. Modern economic analysis, too, focuses on understanding the dynamics of an evolving market economy. In particular, evolutionary approaches have facilitated understanding of how individual, as well as organizational, inventiveness and energy shape the evolution of market economies (Nelson and Winter, 1982). Far from the full rationality assumption of neoclassical economics, these theories have viewed economic agents and organisations as groping and learning by trial-and-error, developing path-dependent knowledge, routines and capabilities, and have thereby led to original contributions to economic theory. The purpose of this paper is to propose evolutionary explanations of entrepreneurial phenomena, by focusing on a path-dependent approach and telling a “process story” of how entrepreneurial choices arise and are made.

Method

We focus on the “process” of pursuing entrepreneurial opportunities by considering both the decision to pursue an entrepreneurial action and the behaviour following such a decision. The first – entrepreneurial decision-making – is considered to be the outcome of opportunity recognition and of the willingness to bear perceived uncertainty. The second – entrepreneurial action-taking – is based on a more traditional and economic interpretation of entrepreneurship, focusing on an individual’s actions. Our dependent variable relies upon longitudinal data (2003-2005) from the Global Entrepreneurship Monitor (GEM), a multi-country research project on entrepreneurial activity. Our covariates have been retrieved from the GEM database as well as from a number of public statistical sources. The main econometric analysis used is the study is an unbalanced panel of country-year observations.

Results and Implications

Despite the development of evolutionary macro-models of economic behaviour, we still lack a convincing micro perspective of individual action and entrepreneurial phenomena. Our paper studies the determinants that are associated to the process of entrepreneurial decision-making and action-taking based on evolutionary economics premises. Our preliminary results show that while the great majority of models trying to explain the creation of new enterprises relies upon neoclassical economics assumptions, the lack of attention to individual behaviour patterns constitutes a serious problem when the purpose is to build theories of entrepreneurship and innovation, because “micro” explanatory mechanisms, which are located at the level of individual action, are suppressed.

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